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GOVERNMENT AND ADMINISTRATION

By-election and State of the Parties

Details of the result of a recent by-election and the present state of the parties in the House of Commons are given below.

The Labour Party retained the seat at Gower in a parliamentary by-election on 16 September. The seat became vacant when its holder, Mr Ifor Davies, died in June. The Labour candidate, Mr Gareth Wardell, won by a majority of 7,220 votes. The results were as follows:

G. Wardell (Labour)	17,095
G. Jones (Social Democratic-Liberal Alliance)	9,875
T. Llewellyn (Conservative)	8,690
I. Owen (Plaid Cymru)	3,431

Two other candidates between them received 228 votes; they and the Plaid Cymru (Welsh Nationalist) candidate all lost their deposits; 65·8 per cent of the electorate voted.

State of the Parties

Following the by-election and the deaths in July of Mr Jocelyn Cadbury, Conservative MP for Birmingham Northfield, and in August of Mr Harry Lamborn, Labour MP for Peckham, the state of the parties in the House of Commons is now as follows:

Conservative	333
Labour	237
Social Democratic	30
Liberal	12
Scottish National	2
Plaid Cymru (Welsh Nationalist)	2
Official Unionist (Northern Ireland)	5
Democratic Unionist (Northern Ireland)	3
United Ulster (Northern Ireland)	1
Ulster Progressive Unionist (Northern Ireland)	1
Independent Socialist (Northern Ireland)	1
Anti-H-Block Proxy Prisoner (Northern Ireland)	1
Independent Labour	1[1]
Vacant	2
TOTAL	631

The four remaining seats are held by the Speaker of the House of Commons and his three deputies (the Chairman of Ways and Means and the first and second Deputy Chairmen of Ways and Means) who do not vote except in their official capacity in the event of a tie. The overall Government majority in the House of Commons is 37.

[1]Mr Robert Mellish, MP for Bermondsey, who resigned from the Labour Party in August.

EXTERNAL AFFAIRS AND DEFENCE

Falkland Islands

The principle of self-determination for the Falkland Islanders was stressed by Britain during a meeting of the United Nations Special Committee on Decolonisation in August. Elected representatives of the Islanders also addressed the Committee.

British Statement

In his statement, made to the Committee on 19 August, the British representative, Mr Hamilton Whyte, said that during the process of decolonisation successive British Governments had held fast to the principle of self-determination and that this could not be denied to the Falkland Islanders. They were a people, a permanent population with roots in the Islands extending back to the early part of the nineteenth century. They had no other home, and had continuously expressed their wishes regarding their political status in free and fair elections. Noting that the Islanders were a small community, Mr Whyte said that the United Nations had never maintained that there was a minimum figure for a population to qualify for the right to self-determination, for the Committee had consistently upheld the rights to self-determination of territories such as Saint Helena (a South Atlantic island with 4,000 people), Tokelau (a Pacific island with 1,500) and Pitcairn Island, with a population of 61. Mr Whyte added: 'The United Kingdom does not accept that the right of self-determination, as enshrined in the Charter and in the International Covenants on Human Rights, should be subject to a special exception for the particular case of the Falkland Islands . . . There is only one obstacle to the Falkland Islanders' right to self-determination: namely Argentina's continuing quest to put its historical claim before its Charter obligations to recognise the rights, wishes and aspirations of the inhabitants.'

Britain, continued Mr Whyte, had no doubt about its sovereignty. While some settlements had appeared on the Islands for varying periods prior to 1833, none of these had seen 'the establishment of a settled community with a distinct identity and way of life. It was only the population arriving in the Falklands from the 1830s which, generation after generation, settled the Islands and maintained a viable and lasting pastoral economy'. Argentina had never exercised effective control over the Islands.

As administering power for the Islands Britain had acted consistently in accordance with Article 73 of the United Nations Charter – which recognises that the interests of the inhabitants of non-self-governing territories are 'paramount' – and had accepted the obligation to promote the well-being of the inhabitants and gone to great lengths to protect their rights. Since Argentina had invaded the Islands in defiance of a call for restraint by the United Nations Security Council (see pp 105-12), it was inconceivable for Britain to return to the negotiating table while the territory remained littered with indiscriminately laid mines which were unmarked and a danger to any innocent passer-by. Mr Whyte concluded: 'Argentina bears a heavy responsibility before history for its actions. Argentina should now learn to respect basic Charter principles touching on the peaceful settlement of disputes and the right to self-determination. Meanwhile my Government . . . continues to insist that the Islanders must have a say in their future; that Argentina must realise their rights to self-determination; must agree a total cessation of hostilities in the South Atlantic [see pp 239-40]; and must renounce the use of force designed to subject the Islanders to unwanted colonial domination by an alien Government in Buenos Aires.'

Views of the Islanders

Two Falkland Islands' Councillors, Mr John Cheek and Mr Tony Blake, also addressed the Committee on 19 August. Mr Cheek pointed out that the Islanders were a threat to no-one, that they were merely asking for the chance to live their own lives unmolested and that their traditions and culture had evolved from Britain and not Argentina. They believed passionately in the United Nations' ideal of self-determination and wanted to develop their institutions and their way of life in association with Britain. Referring to the Argentine occupation of the Islands, Mr Blake said that democratically elected representatives had been totally ignored and the right to free speech subject to restrictions. In addition the Argentines had imposed restrictions of movement and communications which had disrupted daily life and prevented farmers from carrying out good husbandry practices required to maintain their sheep flocks. Other features of the occupation, continued Mr Blake, had included the beating and tying up of people for listening to English-speaking broadcasting stations, the internment of individuals, the

imprisonment in small buildings of the entire population of farming settlements, looting of houses and property, the indiscriminate mining of farms and recreational areas, the shooting of prime breeding animals and the setting of booby traps designed to kill and maim the Islanders and their children. The Islanders, therefore, were asking the Committee to uphold their right of self-determination and their right to choose between freedom, peace and tranquillity, and the experiences of Argentine expansionist domination and aggression.

Middle East Peace Initiative

Britain has expressed support for the new Middle East peace initiative announced by the President of the United States on 1 September. The announcement followed the completion of the withdrawal of the Palestine Liberation Organisation from Beirut to other Arab countries in accordance with a plan negotiated by the United States special envoy Mr Philip Habib. The principal requirements of a peace settlement acceptable to Arab countries were agreed at an Arab League summit in early September.

The Habib Agreement

After lengthy negotiations, which had begun soon after Israeli forces invaded Lebanon in June (see pp 196-7, 241-5), Mr Habib obtained the agreement of the Lebanese and Israeli Governments and of the leadership of the Palestine Liberation Organisation (PLO) to a plan, published on 20 August, providing for a ceasefire by all forces in Lebanon and the departure of the PLO leadership and its armed forces from west Beirut and out of Lebanon by 3 September. Responsibility for ensuring the PLO a safe and orderly departure was assigned to the Lebanese armed forces assisted by a temporary multinational force comprising some 2,100 French, Italian and United States military personnel. The withdrawal, which was stated in the agreement to be consistent with the Lebanese Government's objective that all foreign military forces should withdraw from Lebanon, was completed two days ahead of schedule on 1 September, by which time some 8,475 members of the PLO had left Lebanon for Algeria, Iraq, Jordan, South Yemen, Sudan, Syria and the Yemen Arab Republic. Some 2,600 members of the Palestine Liberation Army and 3,625 Syrian troops of the Arab Deterrent Force also left Beirut during the same period.

Throughout Mr Habib's negotiations, Britain had voiced the hope that the outcome would be successful and peaceful. In a radio interview on 20 August, Britain's Foreign and Commonwealth Secretary, Mr Francis Pym, said that it was 'a great relief' that Mr Habib's efforts had at last succeeded and the danger of 'a major war in Beirut' had been averted. The tragedy was that so many people had had to die and that there had been 'so much damage on the way'. On the other hand, new opportunities now existed to try to achieve a permanent settlement in the Middle East. The Arab countries had somehow to make their peace with Israel and vice versa, and 'the long-term future of the Palestinian people' had to be dealt with. Mr Pym went on: 'What we must hope is that once all forces have been withdrawn from Lebanon, and I stress all forces, we must then have a revived Lebanese Government[1] and a revived Lebanon. We must establish a better relationship between Israel and her neighbours and then find a way to enable the Palestinians to fulfil their aspirations and to exercise their right to self-determination.'

The Camp David agreement (see pp 352-5, 1978), said Mr Pym, had been 'a most remarkable achievement' which had enabled peace to come between Egypt and Israel. 'What we have now got to achieve is the same thing on the other flanks of Israel.' The Arab countries, Mr Pym believed, would want to make 'a very major new effort' and had 'a very positive incentive' after what had happened. 'From the point of view of the long-term interests of all those countries, they have a direct interest in negotiating peace and finding an arrangement where they and Israel can live sensibly together.' With regard to Britain's role, the Foreign Secretary recalled that Britain had taken the lead at the time of the Venice declaration (see pp 202-3, 1980) and what was then agreed in Europe was still valid today. Britain had used all the influence it could bring to bear upon the problem and would continue to do so with its partners.

United States Peace Initiative

Announcing his new initiative in a statement on television on 1 September, President Reagan said that the PLO evacuation from Beirut had created a new opportunity for 'a more far-reaching peace effort' to reconcile Israel's legitimate security concerns with the legitimate rights of the Palestinians. This could be achieved only through negotiation and would require compromises by all parties involved. Emphasising that the Camp David agreement remained the foundation of United States policy, the President said that the time had come for a new realism in the Middle East involving recognition that Israel was an accomplished fact and had a right to exist in peace behind secure and defensible borders, and that, as the Camp David agreement had recognised, the cause of the Palestinians was more than a question of refugees. Further, it was only through broader participation in the peace process – most immediately by Jordan and the Palestinians – that Israel would be able to rest confident in the knowledge that its security would be respected by its neighbours.

[1]Mr Bashir Gemayal, a Maronite Christian and leader of the Phalange party, elected President of Lebanon by the Lebanese National Assembly on 23 August, was assassinated on 14 September, nine days before he was to have taken office. A British Government spokesman deplored 'this resurgence of violence and in particular the murder of a man who . . . had committed himself to the search for peace between all communities in Lebanon'. Britain hoped that all Lebanese leaders would 'continue to work for reconciliation and national reconstruction', and that all parties would 'refrain from any action which might increase tension at this difficult time'.

Mr Reagan then outlined the position of the United States with respect to the key issues involved. With regard to the five-year transition period that Camp David provided should follow the elections for a self-governing Palestinian authority, the United States Government believed its purpose was 'the peaceful and orderly transfer of domestic authority from Israel to the Palestinian inhabitants of the West Bank and Gaza' without interfering with Israel's security requirements. In this connection, Mr Reagan continued, the United States could not support the use of any additional land for the purpose of settlements during the transition period, believing that further settlement was not necessary for Israel's security; indeed, the United States considered that immediate adoption of a settlement freeze by Israel, more than any other action, could create the confidence needed. Nor would the United States support, after the transition period had ended, the establishment of an independent Palestinian state in the West Bank and Gaza or annexation or permanent control by Israel, since neither would be conducive to the achievement of peace. Instead, it was firmly of the view that self-government by the Palestinian inhabitants in association with Jordan offered the best chance for a durable, just and lasting peace.

The basis of this approach, the President explained, was that the conflict should be resolved through negotiations involving the exchange of territory for peace, as was enshrined in United Nations Security Council resolution 242 of 1967 and subsequently incorporated in the Camp David accords. Resolution 242 was still 'wholly valid as the foundation-stone of America's Middle East peace effort', and it was the United States Government's position that – in return for peace – the resolution's withdrawal provisions applied to all fronts, including the West Bank and Gaza. The United States would oppose, however, any proposal that threatened Israel's security, its commitment to this being 'iron-clad'. The United States also remained convinced that Jerusalem must remain undivided, with its final status being decided through negotiations.

These proposals, said Mr Reagan, had been presented in full to Egypt, Israel, Jordan and Saudi Arabia. It was his fervent hope that Jordan and the Palestinians, with the support of their Arab colleagues, would accept this opportunity to join the peace process.

Israel's Reaction

In a communiqué issued after a special session of the Cabinet on 2 September, the Israeli Government said that the positions set out in Mr Reagan's policy statement 'consist of partial quotations from the Camp David agreement or are nowhere mentioned in that agreement or contradict it entirely'. After listing what Israel viewed as deviations from, or contradictions of, the Camp David accords, the communiqué concluded that, since the United States positions created 'a serious danger to Israel, its security and its future', Israel would not enter any negotiations with any party regarding them. Israel was ready, however, to renew negotiations forthwith, with the United States, Egypt, and other states and elements invited at Camp David to participate, 'with a view to reaching agreement on the establishment of full autonomy for the Arab inhabitants of Judea, Samaria and the Gaza district, in total conformity with the Camp David accords'.

The Cabinet's rejection of the United States peace initiative was endorsed by the Knesset (the Israeli parliament) on 3 September, although the opposition Labour party welcomed certain elements in it and described it as 'a basis for dialogue'.

Arab League Summit

An Arab League summit meeting at Fez, in Morocco, attended by leaders and ministers of 20 Arab nations and including the PLO, discussed President Reagan's initiative and other proposals for a Middle East settlement. (A previous Arab summit meeting in November 1981 had considered Prince Fahd's plan – see pp 361-2, 1981.) A communiqué issued on 9 September emphasised the Arab states' desire to 'pursue action by every means for the achievement of a just peace in the Middle East'. In this connection, the summit adopted the following eight principles:

1 Israel to withdraw from all Arab territories occupied in 1967 including 'Arab Jerusalem'.

2 Settlements established by Israel in the Arab territories since 1967 to be dismantled.

3 Guarantee of freedom of worship for all religions in the holy places.

4 Reaffirmation of the Palestinian people's right to self-determination and to exercise its national rights under the leadership of the PLO; compensation for all who do not wish to return.

5 The West Bank and Gaza to be placed under United Nations control for a transitional period not exceeding a few months.

6 Establishment of an independent Palestinian state with Jerusalem as its capital.

7 United Nations Security Council to guarantee peace among all states of the region, including the independent Palestinian state.

8 Security Council to guarantee implementation of the above principles.

British Views

In a television interview on 2 September, the Foreign and Commonwealth Secretary, Mr Francis Pym, welcomed President Reagan's 'very positive and constructive initiative'. It was 'an excellent foundation for negotiations that could lead to a permanent peace', because it was based on the two fundamental principles of the security of Israel and the rights of the Palestinians. Emphasising that Mr Reagan's plan was 'very close to the ideas and opinions being expressed by Britain and the other European countries for a year or two now', the Foreign Secretary pledged that Britain would work with its partners in Europe and do all it could to support the United States and 'use all our influence both with Israel and the Arab countries . . . to carry this initiative through to a settlement which everybody longs for'.

Commonwealth Finance Ministers' Meeting

The 1982 meeting of Commonwealth finance ministers, chaired by Britain's Chancellor of the Exchequer, Sir Geoffrey Howe, took place on 30 and 31 August in London. The meeting discussed the world economic situation, balance of payments and external debt problems, the work of the International Monetary Fund and the World Bank, the North-South dialogue and Commonwealth functional co-operation.

World Economic Situation

In their communiqué ministers 'noted that in the industrialised countries recession had remained severe, recovery was uncertain and unemployment, particularly among the young, was growing and exacting serious economic and social costs. The prospects for economic growth in most developing countries, particularly low-income countries, remained grim with little hope for the many millions of people living in absolute poverty. Many developing countries were also faced with critical balance of payments and debt servicing problems.'

Welcoming the recent reductions in inflation and interest rates in the major industrialised countries, which, together with appropriate policies, could, if they continued, provide scope for renewed progress in investment, economic growth and employment, ministers underlined 'the urgent need for policies to restore world economic growth on a sustained and long-term basis and to promote exchange rate stability'. Emphasising the importance of an improved balance between fiscal and monetary policies, they urged governments when adopting anti-inflationary measures to have greater regard for their repercussions on other countries.

Ministers recognised the vital importance of a resumption of a growth in world trade to economic recovery and to easing the present difficulties of developing countries, and stressed the urgent need to halt the drift to protectionism and to improve market access. Drawing attention to the recommendations of a Commonwealth Group of Experts contained in the report entitled *Protectionism: Threat to International Order – The Impact on Developing Countries*,[1] ministers expressed the hope that the forthcoming Ministerial Meeting of the General Agreement on Tariffs and Trade (GATT) would take the initiative and launch a programme of progressive reduction in trade barriers. Such an initiative would be promoted by the proposed Commonwealth consultations before the GATT meeting.

Ministers believed that the whole framework of international economic co-operation needed reform if further deterioration in the state of the world economy were to be avoided. Accepting that the evolution of the institutional framework had not kept pace with world developments, they called for a new overall examination of the international trade and payments system and in particular the role of the international economic institutions. This, they recommended, should be pursued without prejudice to action on immediate measures such as increasing the resources of the International Development Association and the International Monetary Fund, or to the need for sound national policies of adjustment.

[1]A report drawn up to assist Commonwealth governments in their preparations for the GATT Ministerial Meeting.

Balance of Payments and External Debt

While noting a considerable improvement in the balance of payments of industrialised countries, ministers expressed concern that many developing countries, particularly the oil-importing ones, continued to experience large deficits, and that their problems were aggravated by external factors such as the continuing recession, adverse terms of trade, depressed commodity prices, high interest rates and increased difficulties in obtaining external finance. In addition to continuing efforts at domestic adjustment, ministers stressed that international measures were required to maintain and improve the export earnings of, and increase financial flows to, these countries, warning that failure to find satisfactory solutions to the extreme financial difficulties faced by some countries could lead to serious repercussions for the world's financial system. Ministers called for improved arrangements to deal with debt servicing difficulties which would help to restore creditworthiness, maintain confidence and increase financial flows on appropriate terms.

International Monetary Fund

Ministers noted with concern the recent slowdown in the Fund's commitments and disbursements after the welcome expansion of the past two years, and urged the Fund to show flexibility in its policy proposals and to adapt its conditionality practices to the specific situations and adjustment capacities of individual members. They also called upon the Fund to consider improvements in its various facilities, including further liberalisation of the Compensatory Financing Facility.[1] In addition, the Fund should consider subsidising interest charges for low-income countries with limited repayment capacity.

Calling for an early completion of the Eighth General Review of Quotas[2] which should provide a substantial increase in Fund resources, ministers agreed that, in proceeding with selective increases in quotas for particular countries, account should be taken of the case for maintaining a proper balance between the different groups of countries. They called upon the International Monetary Fund

[1]This facility, introduced in 1963, is a separate lending programme and provides credits virtually without conditionality to countries suffering a temporary shortfall in export earnings. In August 1979 the limit on drawings in any 12-month period was removed, and the maximum permissible outstanding amount was raised from 75 per cent to 100 per cent of quota. In May 1981 it was agreed to allow countries to draw up to 100 per cent of quota to compensate for temporarily high food import costs, with a total limit on drawings of 125 per cent of quota.

[2]A member's quota is its subscription to the Fund, determined in relation to such factors as its national income, share of world trade, reserves, and fluctuations in exports. Quotas are reviewed regularly, the Seventh Review (implemented in 1980) resulting in a 50 per cent increase overall. The Eighth Review, now in progress, is due in 1983.

to pay particular attention to the balance of payments problems of small economies and those of the least developed countries. Most ministers agreed that the time was appropriate for a substantial allocation of Special Drawing Rights.

Development Finance

Ministers expressed their disappointment that aid flows had declined in real terms in 1981, and urged all aid donors to make special efforts to increase aid flows in line with internationally agreed targets, including those accepted under the Substantial New Programme of Action for the Least Developed Countries (see pp 255-60, 1981). Reaffirming their view that multilateral development institutions should play a substantial role in expanding the flow of resources to developing countries, they called for a renewed commitment to strengthen those organisations and improve their operations. Ministers also recognised that private capital flows had a distinct and valuable role to play in economic development.

World Bank Group

Expressing concern that the growth rate in the World Bank's lending remained significantly below the target of 5 per cent in real terms, ministers called for special action to expand its operations to assist members facing severe economic and financial difficulties. They also urged the Bank to continue to consider measures to augment lending to the energy sector, including the establishment of an energy affiliate. Reaffirming their view that the International Development Association (IDA) was the single most important institution for transferring concessional resources to low-income countries, ministers noted with concern the disruption caused by the decision of the United States Government not to meet its commitment to the Association's Sixth Replenishment within the agreed three-year cycle and welcomed the action of some Commonwealth and other donors in meeting their commitments under the replenishment.[1] They also called for the speedy completion of negotiations for the Seventh Replenishment and urged the Bank to take fully into account the problems of small island economies and other economies with limited markets.

North-South Dialogue

Ministers recalled the special attention given by the Melbourne meeting of Commonwealth heads of Government (see pp 295-300, 1981) to revitalising the North-South dialogue, and looked forward to publication of the report of the Commonwealth Expert Group on obstacles in the North-South negotiating process. In addition they called for the early launching of the Global Round of Negotiations (see pp 292-3, 1980), which, together with the Sixth Conference of the United Nations Conference on Trade and Development (UNCTAD), would, they hoped, lead to the solution of urgent problems in international co-operation.

Commonwealth Co-operation

Noting that expenditure of £17·57 million had been approved for 1982-83 for the Commonwealth Fund for Technical Co-operation (CFTC), ministers welcomed the proposed in-depth review of the first three-year Planning Profile in 1983, which would provide an opportunity for evaluation of the Fund's programmes and for constructive discussion of possibilities for further co-operation in the future. Satisfaction was also expressed with the continuing increase in the CFTC's action programme to assist smaller states, and the Commonwealth Secretary-General was invited to strengthen these activities further. In addition, ministers welcomed the priority being attached in the Secretariat's activities, including its capital markets programme, to assisting member countries in mobilising external finance, and looked forward to the further development of these activities.

[1]Following negotiations among the representatives of the major IDA donors during the meeting of the International Monetary Fund in Toronto early in September, Britain announced that it would be giving an additional £105 million to the IDA for use in 1984. This is extra to the £555 million which Britain originally agreed to provide to the IDA's Sixth Replenishment. This, which was intended to last for three years, will now be extended to four because of delays to United States contributions.

ECONOMIC AND SCIENTIFIC AFFAIRS

Chancellor's Speech at International Monetary Fund Meeting

The Chancellor of the Exchequer, Sir Geoffrey Howe, stressed the importance of economic stability, combined with flexibility, in his speech to the joint annual meeting of the International Monetary Fund and the World Bank in Toronto on 7 September. He also spoke of the tensions of economic transition faced by both developed countries – largely the problem of setting more realistic pay and inflationary expectations – and developing countries – falling commodity prices and a high level of indebtedness at a time of high oil prices. Sir Geoffrey defended Britain's record of aid to the poorest countries but emphasised that real development depended on the resources within the developing countries themselves.

Problems of the World Economy

The Chancellor pointed out that, both nationally and internationally, this was a time of economic transition. Although important gains in the fight against inflation had been made, recovery remained elusive: the world economy was under strain; unemployment in the industrialised world was high and rising; falling commodity prices and high real interest rates were combining to squeeze the developing world; and financial stresses on companies and countries were 'all too evident'. The major international institutions, meanwhile, were having to 'analyse and assess . . . a new set of issues' so that there was 'a clear parallel between the global and the national implications of the issues that we face'. It was necessary to ascertain whether economic conditions were worsening or whether progress of the economic disease had been checked.

Conditions for Economic Success

There were two invariable conditions for economic success: stability and flexibility. By stability Sir Geoffrey meant a firm economic framework founded on fair political systems securely rooted in the rule of law; a currency which maintained its value; and an international structure of exchange rates which offered 'a reasonable measure of stability while allowing freedom for rates to reflect differential economic performance'. By flexibility he meant a willingness to promote and adjust to economic change, to challenge market rigidities and to check and reverse any tendency towards protectionism.

Causes of Decline

Both conditions had 'been inadequately met in recent years'. The stability of the post-war international monetary system had been eroded with the increase in inflation in many countries while flexibility the world over had 'been more and more stifled by the entrenchment of inflationary expectations, the fossilisation of many market structures – particularly rigidity in labour markets – and the spread of protectionism'. The response of many countries to increases in the price of oil had been to print money and float their exchange rates, leading to high inflation. The consequences had been, in the industrialised countries, severe unemployment and, in the developing countries, a setback to forecasts of growth that had relied upon continued high commodity prices and low interest rates.

Common Objectives

Faced by these mounting problems, the international community had, during the three years since the second major oil price rise (see p 198, 1979), 'moved towards a large measure of agreement on the strategic objectives we should follow to obtain a sustainable recovery. This is no mean achievement.' This agreement rested upon 'an increasingly clear understanding of the need for a sustained and successful fight against inflation and for the policies that this implies'. It rested on the firm control of monetary growth, of public deficits and of public spending, on the better working of markets, the reduction of costs and the improvement of profits. It pointed the way perhaps to a new role for the Fund in surveying countries' policies, similar to its old one regarding exchange rates.

Continuity of strategy was crucial but its maintenance presented great difficulty partly because the process of secure recovery was slow; even where appropriate policies had been adopted there was no early benefit.

Tensions of Transition

The tensions of transition, the Chancellor went on, were unavoidable although they expressed themselves differently in different countries. For the industrial countries the greatest tension concerned the adjustment of pay and inflationary

expectations to the monetary framework. Progress on this crucial point had been 'painfully slow'; as a result profitability had been severely squeezed and output and employment sharply reduced. The current high levels of unemployment were the 'sad price', social and economic, paid for past failures to tackle inflation and for rigidities in the labour market. The industrial economies now required a boost to their profit expectations to enable them to invest; progress was being made but much more was required. Wider recognition was needed of the fact that the level of real wages was crucial to recovery, that excessive pay increases only delayed the process and that the success of some of the newly industrialised countries, in which transition had been achieved with a lower loss of output and employment, demonstrated the resilience which greater adaptability allowed.

For the non-oil-producing developing countries a major tension of transition arose from the ability of the oil-producing countries to maintain high oil prices combined with falling prices of other commodities. Further tensions had arisen from a high level of indebtedness.

Success Against Inflation

Sir Geoffrey detected a checking of the 'inflationary fever' across the world. Because of the predominance of the United States in the world economy and the primacy of the dollar in international financial markets, progress made in the United States was particularly important. In Britain inflation had been reduced to about one-third of its 1980 peak and the prospect, with government borrowing following the downward path set at that time, was for a further fall.

Reminding his audience of the painfulness of the cure for inflation, the Chancellor advised that 'we need not only strong nerves but also the determination to persuade our people that the course on which most of us here agree really is the best, and that a turnaround in policy now would only plunge us back again into rising inflation and still worse unemployment. Defeating inflation may be profoundly uncomfortable but to be defeated by inflation would have been disastrous.'

The Future

The Chancellor considered ways in which countries could best help each other and serve their common interest in easing the tensions of transition. They had to foster the stability of their system and its ability to adapt to change; they needed more than ever the international financial institutions of the post-war era; and they needed to defend and develop their tried and familiar roles in contributing to stability and to change. Sir Geoffrey went on to express his rejection of calls for new institutions; however, he thought it necessary to encourage the evolution of the World Bank and the Fund in response to changing needs.

Development of a Multi-currency System

The Chancellor pointed out the need to carry forward thinking about how a multi-currency world monetary system could best be made to work to the advantage of all. Participants at the last economic summit, at Versailles (see pp 201-3), had rightly put the emphasis on major countries following non-inflationary policies and on international co-operation. The first prerequisite for monetary stability in a multi-currency system was for the principal currencies – possibly the five used to determine the value of Special Drawing Rights (SDRs) – to be associated with low levels of inflation; the more important a currency the more important would this become in the interests of the system. The five countries in question – Britain, France, the Federal Republic of Germany, Japan and the United States – had a special reciprocal obligation, recognised at Versailles, to other nations. Within the five countries there was a particular need for co-operation on a policy, a recognition by each of its international obligation and a right to urge the needs of the system on its partners.

Sir Geoffrey explained that a multi-currency system could not succeed by simple resistance to change. The post-war international monetary system, it could be argued, suffered from being too inflexible for too long; the system would have to accommodate changes in relative currency values and the operation of markets in bringing about those changes. The purpose of policy, reinforced by co-operation, should be to reduce volatility and instability by fostering confidence. With such confidence and with lower inflation rates the necessary changes in exchange rates ought to be 'more gradual, smaller and less feverish'.

The major currency countries had a right to look to others to undertake reciprocal obligations. At the Versailles summit the major countries had undertaken not to resort to competitive devaluations or to manipulate currencies to gain a trading advantage. The counterpart to that ought to be a progressively more open trading system not only between them but also in the rest of the world. This had special relevance to the newly industrialising countries, which benefited greatly from the rapid growth of world trade.

An orderly multi-currency system had implications for the world-wide management of reserves. The SDR would be more likely to be held in reserves on its own merits as a strong unit if the value of its component currencies were better maintained; SDRs would also be increasingly attractive in the private sector. Both developments should be mutually reinforcing and would help international stability.

The International Banking System

The Chancellor referred to the concern about the effects of over-borrowing on the international banking system. Everyone had a powerful interest in the health of the system which was being threatened by accumulations of short-term debt as a result of very high levels of interest.

Full support for the international financial institutions was also of great importance. An effective Fund was part of the framework within which the banking system operated. It was necessary to demonstrate that the international community remained determined to restore the creditworthi-

ness of its members by 'a judicious combination of help and programmes of adjustment'.

Sir Geoffrey told the meeting that banks alone were responsible for the assessment of credit risk: 'proper risk analysis is a responsibility which no banking management can abdicate'.

Financing the Fund

The Chancellor felt that quotas in the Fund would need to be increased substantially – by at least 50 per cent – particularly if the Fund's borrowed resources were to be gradually displaced as they matured. The distribution of the increase between countries 'should be achieved in a way that is uniform, fair and systematic' and should be based on existing quotas.

Development Issues

Britain continued to be concerned for the future of the International Development Association (IDA – see footnote p 288). There was a growing recognition that the problems of developing countries could not all be solved by a massive increase in aid and, as funds for aid were scarce, they ought to be concentrated where most needed – in the poorest countries. Britain had a good record in this respect and, as the IDA was the main channel of multilateral assistance to such countries, would continue to support it.

The maintenance of an open world trading system was, for the majority of developing countries, far more important than flows of official aid, while access to development capital and the encouragement of private investment were also major factors. Sir Geoffrey welcomed the progress made during the year in subscribing to the increase in the general capital of the World Bank, going on to say that he felt greater co-operation between the multilateral development banks and the private sector was the best hope for increasing financial flows to the developing countries in the short term. However, multilateral organisations and governments (whether of developed or developing countries) could make only a limited contribution. 'Real development depends on the skills, enterprise and dedication of individuals. The real progress that has been made in recent years is attributed mainly to the governments and peoples of developing countries themselves: the same will be true in the future.'

Conclusion

Sir Geoffrey's suggestions for action could be summarised under five headings. First, the central institutions – the Fund and the World Bank – had to be maintained and sustained. Secondly, there had to be continued pursuit of responsible financial policies. This meant a firm but flexible monetary policy and reduced budget deficits, which would put downward pressure on interest rates. The Chancellor looked particularly to the United States for a lead on lower interest rates. Thirdly, there had to be progress towards greater stability of exchange rates. Fourthly, governments in almost all industrial countries – including Britain – needed to persuade their peoples of the need for pay restraint. Unnecessary controls had to be removed, flexibility in goods and labour markets encouraged and protectionism avoided. Finally, countries with excessive debts had to follow appropriate adjustment policies and private sector banks would need to show a matching responsibility.

'The more closely we are able to observe [these five points] during the months ahead,' the Chancellor concluded, 'the more we shall succeed in shortening the transition and abating its pain. And the more we are able to adhere to them in the years beyond that, the sounder will be the foundations of the recovery for which we are striving together.'

Balance of Payments in 1981

The current account surplus on Britain's balance of payments more than doubled in 1981 to reach an estimated £6,000 million. The surpluses on both visible and invisible trade were larger than in 1980. The improvement on invisible transactions arose almost entirely from higher earnings from interest, profits and dividends.

Revised figures for the balance of payments are contained in the Balance of Payments Pink Book, published on 1 September.[1] Provisional figures were given in an article on pp 128-30. At the time of preparation of the Pink Book, figures were available for imports for the whole of 1981, but statistics for exports were not available for July or August 1981. Export figures in the Pink Book and in Table 2 (together with the visible trade balance figure given in Tables 1 and 2) are provisional estimates prepared by the Department of Trade, based on the data for ten months of 1981. When export statistics for the whole of 1981 and commodity and geographical analyses of exports and imports are available, these will be summarised in *Survey of Current Affairs*.

This article contains a brief description of the main changes in the balance of payments in 1981, outlining some of the points contained in the Central Statistical Office's press notice of 31 August.

Current Account

The current account surplus rose from £2,865 million in 1980 to a provisional estimate of £6,036 million in 1981 (see Table 1). For visible trade it is estimated that there was little change in the volume of exports or imports in 1981 compared with the previous year. In terms of value, however, exports are thought to have risen by about 8 per cent to some £51,100 million (see Table 2), while imports rose by 4 per cent to £48,087 million.

Invisible Trade

Credits on invisible transactions totalled £29,338 million in 1981, while debits amounted to

[1] *United Kingdom Balance of Payments 1982 Edition*. Central Statistical Office. HMSO, £9·75. ISBN 0 11 620007 3.

Table 1
Summary Balance of Payments

£ million

	1971	1976	1979	1980	1981
Visible trade balance	+ 190	–3,929	–3,449	+1,185	+3,013*
Invisible trade balance	+ 934	+3,054	+2,596	+1,680	+3,023
of which *Services*	*+ 625*	*+2,449*	*+3,958*	*+4,060*	*+3,975*
Interest, profits and dividends	*+ 502*	*+1,365*	*+ 892*	*– 273*	*+1,004*
Transfers	*– 193*	*– 760*	*–2,254*	*–2,107*	*–1,956*
Current balance	+1,124	– 875	– 853	+2,865	+6,036
Investment and other capital transactions	+1,790	–3,009	+2,307	–1,864	–7,209
Allocation of Special Drawing Rights	+ 125	—	+ 195	+ 180	+ 158
Official financing:					
Net transactions with overseas monetary authorities	–1,817	+ 984	– 596	– 140	– 145
Foreign currency borrowing (net)	+ 82	+1,791	– 250	– 941	–1,587
Official reserves†	–1,536	+ 853	–1,059	– 291	+2,419
Balancing item	+ 232	+ 256	+ 256	+ 191	+ 328

*Provisional estimate (see footnote to Table 2).
†Drawings on (+)/additions to (–).

Table 2
Current Account

£ million

	1971	1976	1979	1980	1981
Exports (free on board)	9,043	25,191	40,687	47,396	51,100*
Imports (free on board)	8,853	29,120	44,136	46,211	48,087
Visible balance	**+ 190**	**– 3,929**	**– 3,449**	**+ 1,185**	**+ 3,013**
Invisible trade balance:	**+ 934**	**+ 3,054**	**+ 2,596**	**+ 1,680**	**+ 3,023**
Services:					
General government	– 315	– 667	– 797	– 788	– 775
Private sector and public corporations:					
Sea transport	– 58	+ 72	+ 121	+ 135	– 98
Civil aviation	+ 51	+ 209	+ 288	+ 395	+ 437
Travel	+ 58	+ 700	+ 688	+ 223	– 286
Financial services	+ 471	+ 1,303	+ 1,588	+ 1,601	+ 1,954
Other services	+ 418	+ 832	+ 2,070	+ 2,494	+ 2,743
Interest, profits and dividends:					
General government	– 204	– 648	– 540	– 614	– 680
Private sector and public corporations	+ 706	+ 2,013	+ 1,432	+ 341	+ 1,684
Transfers:					
General government	– 205	– 788	– 2,058	– 1,832	– 1,681
Private sector	+ 12	+ 28	– 196	– 275	– 275
Current balance	**+1,124**	**– 875**	**– 853**	**+ 2,865**	**+ 6,036**

*Exports for 1981 are provisional, based on the estimates for the ten months of 1981 that are available.

£26,315 million, resulting in an invisible trade surplus of £3,023 million, as against £1,680 million in 1980. Nearly all of the improvement was accounted for by a greater surplus on interest, profits and dividends, although there was also a reduction in the large deficit on transfers.

The surplus on services fell back a little, to £3,975 million in 1981, mainly as a result of the change from a surplus to a deficit in both the travel and sea transport sectors. The deficit on travel was the first since 1967. Debits increased by 20 per cent to £3,285 million as the number of British residents travelling overseas rose by 9 per cent and average expenditure in sterling terms grew by 10 per cent. Credits (£2,999 million) were virtually unchanged, although the number of

Table 3
Analysis of Investment and Other Capital Transactions*

£ million

	1971	1976	1979	1980	1981
Overseas investment in Britain	+1,015	+2,091	+4,36 i	+5,243	+ 3,356
British private investment overseas	- 860	-2,269	-6,555	-8,204	-10,637
Official long-term capital	- 274	- 161	- 401	- 91	- 334
Import credit	+ 54	+ 111	+ 61	- 268	+ 115
Export credit	- 287	-1,103	- 856	- 902	- 999
Foreign currency borrowing or lending abroad by British banks	+ 471	- 106	+1,623	+2,018	+ 1,404
Exchange reserves in sterling:					
British government stocks	+ 55	+ 12	+ 247	+ 945	+ 258
Banking and money market liabilities, etc	+ 658	-1,413	+ 509	+ 317	- 145
Other external banking and money market liabilities in sterling	+ 709	+ 256	+2,580	+2,558	+ 2,634
External sterling lending by British banks†	+ 39	- 350	+ 205	-2,500	- 2,980
Other external borrowing or lending:					
British public sector‡	+ 4	+ 27	- 7	- 173	- 25
British private sector	+ 140	+ 94	+ 608	- 590	+ 64
Other transactions	+ 66	- 198	- 68	- 217	+ 80
Total	+1,790	-3,009	+2,307	-1,864	- 7,209

*Assets: increase (-)/decrease (+); liabilities: increase (+)/decrease (-).
†Excludes credit for British exports.
‡Excludes official financing.

visitors to Britain fell by 7·5 per cent. The sea transport account was adversely affected by both a higher deficit on dry cargo (with lower credits to British operators from freight on exports and higher debits to overseas operators for freight on imports) and a smaller surplus on tankers as disbursements paid abroad by British operators rose substantially. However, civil aviation, financial and other services recorded higher surpluses (see Table 2).

The deficit on interest, profits and dividends of £273 million in 1980 was converted into a surplus of £1,004 million in 1981. Credits rose by 22 per cent to £10,082 million in 1981, helped by falling sterling exchange rates, while debits rose by 6 per cent to £9,078 million. The improvement was mainly due to larger net receipts of interest by the British banking sector. In particular, net interest earnings from overseas residents on borrowing and lending in foreign currencies increased sharply. Earnings of British parent companies from direct investment overseas grew, while earnings from portfolio investment (in overseas securities) continued to improve, mainly reflecting the substantial increase in such investment overseas since the abolition of exchange controls in 1979 (see pp 192 and 338, 1979).

Net overseas earnings of the City of London (British financial institutions), comprising receipts from services and from investments, reached £3,452 million in 1981, over 50 per cent more than in 1980. Much of the increase was attributed to the banking sector, which recorded net overseas earnings of £1,329 million. All other broad groups of institutions, including insurance (with net overseas earnings of £974 million in 1981), brokerage (£485 million) including the Baltic Exchange and the Stock Exchange, commodity trading (£360 million), pension funds (£107 million) and investment trusts (£91 million), also increased their earnings in 1981.

The deficit on general government transfers fell from £1,832 million in 1980 to £1,681 million in 1981. There was a significant improvement on the European Community account where the deficit fell by £295 million; gross budget refunds, arising from the agreement in May 1980 (see pp 182-3 and 314-15, 1980), increased from £98 million to £693 million.

Investment and Other Capital Transactions

The large current account surplus in 1981 was reflected in a substantial net acquisition of assets overseas. There was a net identified outflow of investment and other capital of £7,209 million in 1981, compared with £1,864 million in 1980 (see Table 3). For most categories of transaction larger outflows or smaller net inflows were recorded. Private investment overseas in 1981 rose by over £2,400 million to £10,637 million. Direct investment by companies other than oil companies increased by nearly £1,700 million to £5,157 million and portfolio investment rose by £950 million to £4,100 million, but investment by oil companies and miscellaneous investment fell by nearly £200 million to £1,380 million. Investment by oil companies in Britain rose to £1,904 million, with the growth concentrated in their United Kingdom Continental Shelf operations, but portfolio investment declined substantially to £508 million, reflecting a sharp reduction in inflows from private overseas residents to government stocks. There was a continuing net outflow of sterling lending by British banks (excluding credit for

British exports), totalling £2,980 million in 1981. As in 1980, much of the increase was in lending to other banks, reflecting the extension of the sterling interbank market overseas, although there was also sizeable lending to other financial institutions.

Official Financing

Within official financing there were drawings of £2,419 million from official reserves during 1981, but changes in the valuation of reserves meant that the reserves declined by only £1,300 million to £11,960 million at the end of the year. During 1981 there were net repayments of borrowing of £1,700 million.

Aerospace: Government Policy and New Projects

The Government is prepared to consider aid for commercially viable aerospace projects, said Mr Norman Lamont, Minister of State for Industry, in London on 1 September. Several new aerospace projects were announced at the start of the Farnborough International 1982 air show, which opened on 5 September.

Mr Lamont's Speech

Speaking at a *Financial Times* aerospace conference, Mr Lamont began by congratulating Britain's aerospace industry[1] on its achievements over the past two years. The industry had succeeded in maintaining its sales despite the world recession, and the importance of the industry to national security had been demonstrated by the performance of British aircraft and missiles in the South Atlantic in recent months.

Turning to the question of governmental support for development costs, Mr Lamont noted that these were mounting all the time to the point where even the largest manufacturers such as Boeing or Airbus Industrie were thinking long and hard before embarking on a new project. In addition, competition from developing countries was increasing and the challenge from the Japanese aerospace industry was already emerging.

While the Government had a commitment to non-intervention in industrial strategy, it was prepared to consider supporting certain aerospace projects, he said. 'The prime criterion is that the project for which support is sought must in itself show satisfactory prospects of commercial viability. We will not support political aeroplanes designed with prestige rather than profit in mind. And the terms of any assistance offered by the Government will also reflect an expectation of commercial return to the Government.' The Government was prepared to consider assistance on these terms, he concluded, but it was for the industry to select the projects and demonstrate that they were viable.

[1]See *Britain's Aerospace Industry*, COI, No 158/RP/82.

New Aircraft Projects

Announcements about a number of new aircraft projects were made at the start of the Farnborough International 1982 air show. They include a joint Ministry of Defence/aerospace industry research programme on combat aircraft, with particular reference to the British Aerospace (BAe) agile combat aircraft (ACA), details of which were announced at the same time; progress on a new Anglo-Italian helicopter, the EH101; government funding for an improved version of the Westland 30 helicopter; and a new BAe airliner, known as the ATP.

Research Aircraft Programme

A research aircraft programme to be undertaken jointly by the Ministry of Defence and British aerospace companies was announced by the Secretary of State for Defence, Mr John Nott, in a press release on 5 September. The programme would advance their knowledge of the highly demanding technologies now required. At the same time a better understanding would be gained of the operational, international and political issues involved, including the central question of costs, and the prospects for collaboration and marketing.

The work would be essential for future advanced fixed-wing combat aircraft, whether of the short-take-off/vertical-landing (STOVL) type or of conventional design, and would apply particularly in the field of new agile combat aircraft, as proposed by British Aerospace (see below). It would also cover technologies relating to further Tornado improvements (see p 172, 1980). Mr Nott hoped that other European partners would feel able to share in the work.

Among the specific topics to be studied would be the efficient use of composite materials, artificial stability, 'stealth' techniques (which, through the shaping of an aircraft and the choice of materials, minimise its radar reflection), advanced cockpit and system designs, the interactions of weapons, electronic counter-measures, electronic surveillance, 'defence suppression' (the carrying of weapons and other aids in order to destroy or 'distract' enemy anti-aircraft fire or radar), target acquisition, aiming, communications and data exchange. Other work would explore future STOVL engine and hovering control techniques.

Agile Combat Aircraft (ACA)

British Aerospace (BAe) announced on 5 September that considerable progress had been made by Aeritalia, BAe itself and Messerschmitt-Bölkow-Blohm (of the Federal Republic of Germany) towards an agreement to launch a new 'agile combat aircraft' (ACA). This would be a relatively light and highly manoeuvrable air-to-air combat aircraft, also capable of being used as a ground-attack aircraft. It has been designed as a single-seater aircraft, able to fly at twice the speed of sound. An unusual design feature is the canard – two horizontal stabilisers (tailplanes) on either side of the fuselage well forward of the main body of the aircraft. It would enter service at the end of the 1980s. The three companies have collabor-

ated for 13 years on the Tornado programme and possess advanced expertise in carbon fibre composites and electronic control technology. Existing components and equipment will be used wherever possible to minimise development costs. The engine will be the RB 199 turbofan produced by Turbo-Union (a joint company comprising Rolls-Royce, Motoren und Turbinen Union of the Federal Republic of Germany and Fiat of Italy), which powers the Tornado.

EH101 Helicopter

British and Italian ministers announced in press releases on 6 September that agreement had been reached in principle for collaboration on civil and naval versions of the EH101 helicopter programme. (A company known as EHI has been formed by Westland Helicopters and the Italian company, Agusta.) The Secretary of State for Industry, Mr Patrick Jenkin, and his Italian counterpart, Signor Giovanni Marcora, said that the degree of support would depend on the outcome of appraisals of the project. The Secretary of State for Defence, Mr John Nott, said that the naval version, with good endurance, high agility for landing on ship-deck in adverse weather, advanced avionics, and the ability to carry a substantial payload, would provide Royal Navy vessels with long-range anti-submarine defence. While a number of documents remained to be drawn up, Mr Nott said that as a measure of his confidence in the programme British defence officials were identifying, in conjunction with the companies, critical work which it would be sensible to start on immediately.

Westland 30 Helicopter

The Government has agreed to provide Westland Helicopters with £41 million in launch aid for improved versions of the Westland 30 helicopter under the provisions of the Civil Aviation Act 1949. Announcing this on 6 September in a press release, the Secretary of State for Industry, Mr Patrick Jenkin, said that the Government had looked at the proposal and had concluded that the project was viable and that a fair return to the taxpayer could be provided by a levy on sales.

The present version of the Westland 30 represents a diversification by the company into the civil market. With 16 seats, it has a number of features providing levels of comfort and convenience normally found only in standard airliners. The new versions will offer greater payload and range.

Advanced Turboprop (ATP) Airliner

British Aerospace (BAe) announced on 5 September a new 64-seater airliner, known as the ATP. A developed version of the BAe 748, the aircraft is aimed at the regional (as opposed to the international) airline market and is expected to fill the gap between the 50-seat 748 and the 80-106-seat BAe 146 (see pp 298-9, 1978), which is scheduled to enter service in 1983. The ATP will be twin-engined, the engines being supplied by the United States company, Pratt and Whitney. Their high fuel efficiency is said to offer very low operating costs. New propeller technology, with lightweight materials and advanced aerodynamic blades, is being employed, and it is claimed that the aircraft will have very low noise levels, affecting a ground area only a fifth of that affected by twin jet airliners.

Shorter Notes

NORTH SEA OIL DEPLETION POLICY

Government oil policy should encourage exploration and development with the objective of maximising economic oil production, according to a joint memorandum[1] issued on 29 July by the Chancellor of the Exchequer, Sir Geoffrey Howe, and the Secretary of State for Energy, Mr Nigel Lawson, to the House of Commons Select Committee on Energy in response to its report on North Sea oil depletion policy.[2]

The Government agreed with the Committee that clear economic advantages needed to be demonstrated before a restrictive depletion policy could be justified. It had already announced (on 8 June, see *Hansard*, Vol 25, No 127, written answers, col 6) that it did not intend to impose production cutbacks before 1985 at the earliest (see also p 243, 1980). Any development proposal now coming forward was unlikely to result in oil starting to flow until after the peak years of 1985 and 1986 envisaged in the Department of Energy's central projections. In view of all the uncertainties and taking account also of the need to avoid any fluctuations in orders for new developments, in the interests of the offshore supplies industry, the Government agreed that there was no case in the foreseeable future for deferring new field developments. The Government intended, however, to retain reserve powers of intervention against the possibility of some clear shift in the oil market or elsewhere which threatened to open up an important divergence between the national interest and the established pattern of depletion on the United Kingdom Continental Shelf. These powers would not be used lightly but, if they had to be used, development delay was to be preferred to other options.

The memorandum also pointed out that the Government's policy of reducing gas flaring where technically and economically feasible had succeeded in bringing it down from the peak rate of 21·5 million cubic metres a day (mcmd) in June 1979 to 12 mcmd in May 1982. The purpose of reducing flaring had been to conserve a valuable resource in its own right, not, as the Committee's report implied, to delay oil production. Oil production had increased by 30 per cent since 1979 to its present level of around 2 million barrels a day.

[1] *North Sea Oil Depletion Policy. Memorandum by the Secretary of State for Energy and the Chancellor of the Exchequer.* Available free from the Department of Energy, Energy and International Policy Division, Room 1425, Thames House South, Millbank, London SW1P 4QJ.

[2] *North Sea Oil Depletion Policy.* Third Report from the House of Commons Select Committee on Energy. Session 1981-82. HMSO, £5·25. ISBN 0 10 233782 9.

The Government agreed with the Committee's view that the fiscal regime was not a suitable instrument for implementing a depletion policy. It did not accept, however, the Committee's conclusion that there was a substantial risk that the fiscal regime was discouraging development and that a review of the regime was needed. Following consultations with the industry and full analysis of the available evidence, it believed that a wide range of potential developments in the United Kingdom sector of the North Sea remained attractive under the existing regime as modified under the Finance Act 1982 (see pp 118 and 264).

Source: Department of Energy press notice, 29.7.82.

BRITOIL

The oil-producing business of the British National Oil Corporation (BNOC) was transferred to Britoil, a wholly-owned subsidiary of the Corporation, on 1 August. The transfer scheme was approved by the Secretary of State for Energy, Mr Nigel Lawson, acting under the Oil and Gas (Enterprise) Act 1982 (see pp 46-7 and 264). The scheme includes participation arrangements between Britoil and the Corporation (see pp 197 and 273, 1977). Britoil will continue to be a wholly-owned subsidiary of BNOC until privatisation takes place by a public sale of shares in the Corporation.

Source: *Hansard*, Vol 28, No 165, Part II, written answers, col 637.

AGREEMENT ON STEEL MERGER

The creation of a new steel company, Sheffield Forgemaster Holdings plc, was welcomed by Mr Norman Lamont, Minister of State for Industry, in an announcement on 20 August. The new company is the result of an agreement in principle between Johnson and Firth Brown (JFB) and the British Steel Corporation (BSC) to merge the heavy forging and special steel facilities of Firth Brown Ltd and BSC River Don works under the Phoenix III project (a move towards the privatisation of BSC's activities in an area where the public and private sector have been jointly involved for some time). 'This new joint enterprise could also make an important contribution to the restructuring of the UK steel industry, which is essential if we are to compete effectively in world markets', Mr Lamont said.

The new company will also incorporate some of the Johnson and Firth Brown assets in cast rolls and drop stampings. The assets to be transferred by JFB to Sheffield Forgemasters are expected to be £61 million from which there will be deducted £20 million of JFB group bank debt, which will also be transferred. The assets to be transferred by BSC to the new company are expected to be £41 million including £17 million cash.

There would be a significant loss for the first year, Mr Lamont said, owing to substantial rationalisation costs, but over the medium and long term both parties of the merger believed that Sheffield Forgemasters would be capable of achieving a high level of profitability.

Sources: Department of Industry press release and *British business*, 27.8.82.

SUPPORT FOR INNOVATION

The Department of Industry's support for industrial research and development under the Science and Technology Act 1965 has been streamlined to make it more responsive to the needs of industry. This has been achieved by bringing together – under the title 'Support for Innovation' – all the existing support previously offered through the Department's research requirements boards (see p 184, 1981) and under its Product and Process Development Scheme (see p 309, 1977). 'Support for Innovation' also includes some special arrangements to encourage the application of new technologies which are essential to the competitiveness of manufacturing industry. Among these are the Microelectronics Application Project, the Microelectronics Industry Support Programme, the Software Products Scheme, Information Technology Awareness and Product Development, the Fibre-Optics and Opto-electronics scheme, the Industrial Robots and Flexible Manufacturing Systems schemes, the Computer-Aided-Design/Computer-Aided-Manufacture (CAD-CAM) Awareness scheme and the Computer-Aided Design, Manufacture and Test (CADMAT) scheme (see pp 336, 1981, and pp 132, 210-11 and 276). All of these special arrangements make available one or more of the three basic forms of support (see below), together with special features such as support for awareness and training activities, and grants to companies towards the cost of employing consultants.

All companies and research associations in or closely associated with the manufacturing sector of industry are in principle eligible for support.

Before the Department of Industry offers support to a company it has to be satisfied first, that the company has adequate technical, financial and managerial resources to carry out its research and development project to a successful conclusion; secondly, that the project offers good commercial prospects of success (it is a condition of assistance that the company take all reasonable steps to exploit the results commercially within three years of the project's completion and longer-term projects must satisfy an identified industrial need related to competitiveness, added value, energy saving, improved environment or safety, or better or new standards); and thirdly, that the company would not undertake the project or would not do so on the same scale or within the same timescale without support. The project costs should normally be between £25,000 and £2 million (£0·5 million for pre-production orders), though projects outside these limits can be supported – small

projects from small companies being particularly welcome.

Although 'Support for Innovation' is not intended specifically as a source of venture capital for new companies starting up (see also pp 115 and 182-3, 1981), such firms can look to the Joint Appraisal Scheme for additional finance. This scheme is intended to augment the often limited facilities available to financial institutions to judge the technical and commercial soundness of small projects from small firms. Under the scheme, the Department of Industry makes its technical appraisal available to the institution of the company's choice to help it to reach a decision; having been involved at the development stage, the institution will be better placed to participate in further funding for the company.

Assistance is available in three forms: a grant towards eligible project costs (by way of a special offer, for applications received by 31 May 1983 and expenditure incurred and claimed by 31 May 1986, the maximum level of grant has been raised from 25 per cent to 33⅓ per cent); shared-cost contracts, where the Department of Industry's contribution of 50 per cent of eligible costs is recovered by a levy on sales; and the purchase by the Department of pre-production models to assist with the launch of new or significantly improved equipment.

The research requirements boards will now be giving advice on the general balance and direction of the whole range of assistance provided under 'Support for Innovation'. In 1981-82 the boards channelled £21 million into industry and research associations, while, since its introduction in 1977, expenditure under the Product and Process Development Scheme has totalled £150 million towards 950 projects costing £505 million. Funds under 'Support for Innovation' available in 1982-83 will total about £140 million, rising to £195 million in 1985-86.

Source: Department of Industry press notice and background paper, 1.9.82.

FAIR TRADING ANNUAL REPORT

The activities of the Office of Fair Trading – a government agency responsible for protecting the interests of both consumers and businessmen against unfair trading practices – are described in the annual report published on 14 July. The main activities include the drawing up of voluntary codes of practice for traders, the implementation and enforcement of consumer credit legislation, dealing with persistent offenders against the law, keeping 'monopoly situations' under review, investigating anti-competitive practices, making recommendations to the Secretary of State for Trade about the investigation of mergers and keeping a public register of restrictive trade practices. The report provides statistical information about the work of the Office together with the details of individual cases.

In an introduction the Director General of Fair Trading, Mr Gordon Borrie, comments that the Government's competition policy is not intended primarily to forbid or to penalise but to create a healthily competitive climate. 'It is a positive policy designed to . . . encourage firms to meet competition by increased efficiency and innovation, rather than by trying to avoid change by suppressing or frustrating a thrusting rival.'

Mr Borrie also states his belief that his responsibilities for safeguarding competition and for protecting consumers are complementary: 'a well-informed buying public, with an understanding of the relative merits of the goods and services offered to it, is a valuable stimulus to industry to remain alert to market requirements', and so 'provides an incentive for more effective competition and greater efficiency'.

Following a review of legislation on misleading bargain offers, undertaken in 1981, Mr Borrie finds that there are limits to what can be done to protect consumers by detailed regulation, given the time it takes to enact legislation. The Government should therefore consider alternative, more flexible, arrangements than those provided by the civil and criminal law in its present form.

The report notes that, with the increasing use of electronic technology in retailing, the Office has set up a working party, with representatives from retailing, banking, consumer organisations, and central and local government, to assess the implications for consumers of microelectronic developments such as laser-scanning checkout devices, the use of viewdata sets to make purchases from the home, and 'electronic funds transfer systems' – methods which provide for direct debiting of a consumer's bank account at the point of sale.

Source: *Annual Report of the Director General of Fair Trading 1981*. HMSO, £7·05. ISBN 0 10 243482 4.

LLOYD'S ACT 1982

The Lloyd's Act 1982, a private Act which reforms the constitution of the Lloyd's insurance market and amends its powers of self-regulation, received the Royal Assent on 23 July. The Bill had been given its second reading in the House of Commons on 24 March 1981 (see pp 149-50, 1981) but two important changes were made subsequently. Following the second reading in the House of Lords on 1 April 1982 (*Hansard* (*HL*), Vol 428, No 67, cols 1472-533), the Bill was committed, with two instructions, to a Select Committee. The instructions concerned the exemption of the proposed Council of Lloyd's from liability to actions for damages and the separation of ownership of Lloyd's brokers and underwriters.

In the debate on the third reading in the House of Lords on 16 July (*Hansard* (*HL*), Vol 433, No 126, cols 591-616) Lord Nugent of Guildford, who had chaired the Select Committee, explained that Lloyd's was an exceptional case and that immunity from legal actions by members was justified in the interests of effective self-regulation.

However, the Select Committee had made the scope of immunity as narrow as possible by excluding actions for slander and libel; its amendment providing this qualified exemption of the proposed Council from actions for damages was accepted by the House.

On the separation of ownership of brokers and underwriters, Lord Nugent told the House that the Select Committee had received petitions to the effect that mandatory separation would be unfair to brokers and underwriters forced to sell their interests and that it would be damaging to Lloyd's future competitiveness in world markets. These views had to be balanced against the evidence of the promoters of the Bill that underwriting – the essence of Lloyd's business – would be stronger if independent of broking ties. The Select Committee had come down on the side of the promoters, and the Lords accepted its amendment which provided that Lloyd's brokers should have no financial or other interests in Lloyd's underwriting activities.

GOVERNMENT HELP FOR TOURISM

New arrangements for allocating government financial help to tourism projects in England were announced in a parliamentary reply on 30 July by Mr Iain Sproat, Parliamentary Under-Secretary of State, Department of Trade.

This follows the recent announcement (see p 251) that, from 1 August 1982, support for tourism projects under the Department of Tourism Act 1969 would no longer be confined to the assisted areas and that suitable projects throughout the country would become eligible for selective aid.

'In considering the detailed arrangements,' Mr Sproat said, 'my main concern has been to ensure that the limited funds available can be used in the most effective way to help generate additional tourism wherever the best prospects for this exist. Tourism, already a major industry in this country, is also one of our most promising growth sectors.' Preference is to be given to certain types of project. For hotel and guest-house accommodation the emphasis will be on encouraging projects involving upgrading existing accommodation, rather than on new developments or expansion of bedroom capacity. There is a need in some resorts, Mr Sproat said, to bring the standard up to the level expected by tourists in the 1980s. Priority will also be given to projects which help to extend the tourist season and improve visitor facilities at important tourist attractions. Mr Sproat stressed that 'guidelines do not rule out assistance to good projects of other types and I will keep under review the way these new arrangements operate'.

Applicants will need to demonstrate that their projects are viable and that there is a need for help from public funds. Where assistance is given it will be limited to the minimum amount considered necessary to enable the project to proceed, thus ensuring that the maximum number of projects can be helped from the available funds.

The scheme will be operated by the English Tourist Board with the assistance of the 12 regional tourist boards. The financial provision in 1982 for assistance under section 4 of the Development of Tourism Act 1969, in England, totals £5 million.

Source: *Hansard*, Vol 28, No 165 (part II), written answers, cols 786-7.

NEW SAFETY LIMITS FOR ASBESTOS

The Health and Safety Commission is to introduce much tighter control limits for asbestos in Britain from 1 January 1983. The limit for asbestos in general use (chrysotile or white asbestos) will be halved to one fibre per millilitre; the limit for amosite (brown asbestos) will be reduced to 0·5 fibre per millilitre, a quarter of the present level, and the control limit for crocidolite (blue asbestos) will be maintained at its current level of 0·2 fibre per millilitre, which effectively rules out its use. Although many workplaces are keeping exposure to chrysotile below one fibre per millilitre, a significant number are not yet doing so. If practical engineering controls cannot be introduced to meet the new limit by 1 January 1983, the workforce will be required to wear suitable protective equipment.

The Commission emphasises that these control limits are not absolutely safe levels and, in view of the possibility of new evidence about the effects of exposure to asbestos, it has decided that a detailed review of all the medical evidence should be undertaken by an internationally recognised authority in this field. In the short term the Commission is to bring together a group of medical experts to consider whether there have been any substantial changes to medical knowledge since the Commission's Advisory Committee on Asbestos prepared its report in 1979.[1]

The Commission has also decided to set up a working group, representing both sides of industry, with the aim of identifying and recommending any further measures for the control of exposure to asbestos dust that were not considered practicable at the time of the 1979 report. The group will review present engineering controls and systems of work. A review will also be commissioned to assess the adequacy and the problems of wearing suitable respiratory protective equipment and protective clothing. The reports will be considered not later than August 1983.

The Committee has already decided on action to license asbestos insulation contractors, to prohibit the spraying of asbestos and its use in insulation, and to prohibit the import, use and marketing of crocidolite and products containing it.

Although the Commission is equally concerned about public exposure to the hazards of asbestos, most measurements of asbestos levels outside the workplace are already considerably below the

[1] *Asbestos: Final Report of the Advisory Committee.* Vol 1. HMSO, £5. ISBN 0 11 883293 X. Vol 2. HMSO, £5. ISBN 0 11 883294 8.

new control limits, and the Commission will ensure that the public exposure limits generally remain well below the new limit and never exceed it.

Since 1980 efforts have been made to achieve common standards in the European Community on the marketing and use of asbestos products and the protection of workers in the asbestos industry, and the possibility of some agreement is in sight.

Source: Health and Safety Commission press notice, 27.8.82.

SEAT BELTS

Compulsory wearing of seat belts for adults travelling in the front seats of cars and light vans will come into force on 31 January 1983 under regulations published on 2 September.[1] These regulations were approved in draft form by both Houses of Parliament in July. As was suggested in the Government's proposals in December 1981 (see pp 29-30), compulsory seat belt wearing will be broadly in line with compulsory fitting, so that drivers and front-seat passengers will be required to wear seat belts in cars first registered on or after 1 January 1965, light vans registered on or after 1 April 1967 and three-wheeled motor vehicles registered on or after 1 September 1970. Among those who will be exempt will be drivers when reversing their vehicles, holders of valid certificates of exemption on medical grounds, drivers involved in local delivery rounds, drivers of taxis and of private hire vehicles plying for hire or carrying passengers, motor mechanics when travelling as passengers in vehicles (with trade plates) on which they are carrying out tests, and the police and fire services in limited circumstances.

Regulations applying to children in cars will be made shortly and will also come into operation on 31 January 1983. They will require children under 14 to be restrained when travelling in the front seats of the same vehicles to which the adult regulations apply.

Source: Department of Transport press notice, 2.9.82.

[1] *Motor Vehicles (Wearing of Seat Belts) Regulations 1982.* SI 1982/1203. HMSO, £1·25. ISBN 0 11 027203 X.

SOCIAL AND CULTURAL AFFAIRS

International Year of Disabled People

The achievements in Britain of the International Year of Disabled People (IYDP) in 1981 (see pp 78-9, 1981) are reviewed in a report published by the Government in July.[1] The Year was successful in increasing public awareness and understanding of disabled people, and progress was made towards the participation, equality and integration of the disabled and the prevention of disability. The report describes the achievements of official bodies and voluntary organisations in certain key aspects of disability and emphasises that the Year's activities should be seen as part of a continuing process which did not stop at the end of 1981.

The report says that the main purpose of an International Year is to focus attention upon a specific subject or group of people, and provide a structure and time-table to which the care and imagination of the community can be harnessed on its behalf. In 1981 the intention was not merely to secure a temporary increase in public interest and activity on behalf of disabled people but also a permanent increase in public awareness and a lasting improvement in understanding. There had been three other aims: the participation, equality and integration of disabled people; the prevention of disability; and more positive attitudes towards disabled people.

Community Involvement

From the outset the Government's view had been that only if the whole community were involved in the Year's activities, and if these activities were arranged because people wanted them, would the Year bring about a real change in attitudes. To achieve this widespread response government action, though having an important role to play, was insufficient; the voluntary sector would be required to play a leading role so that the Year could be 'of' rather than 'for' disabled people. The Year's activities had therefore been co-ordinated by national committees representing the voluntary organisations, independent of Government though funded by it.[1] The committees, operating through a network of local groups, provided publicity material and encouragement to organisations throughout Britain, as well as to those, such as the news media and Members of Parliament, in a position to influence the lives of disabled people. Aspects of disablement which were made targets for particular effort included: access, attitudes, employment, the family, housing, information, leisure, relationships, religious life, symbols, residential care, technology development and prevention.

The Public Response

The report says that one of the major successes was the extent to which the general public became aware of the Year and its aims and took part in events and activities in their own localities. The Year caught the public imagination, and organisations of every kind found some way in which to mark its special nature. There was a particularly good response from those concerned with the arts and leisure. One of the most successful plays of 1981 was *Children of a Lesser God*, which portrayed the problems and frustrations of profound deafness. The fringe theatre produced several plays about disability and this was also the theme of a special season of films organised by the National Film Theatre. There were spectacular national events which received wide publicity, and in many of them the Royal Family was involved. The Queen gave a special garden-party for 3,000 people, many of them disabled, who were involved in promoting the aims of the Year. There were special national weeks and days, for example, National Epilepsy Week, Mental Health Week and Access Week. But there were many smaller exhibitions, seminars, conferences, parties, theatre performances, visits, church services, and events of every kind which, perhaps more than the major national events, stimulated public interest in the year. It was particularly encouraging that it was not only disability organisations who were holding these special events. The range of the response, the report says, was ample justification of the Government's earlier decision to look to the voluntary

[1] *IYDP and After – the UK Response*. Available free from the Department of Health and Social Security, Alexander Fleming House, Elephant and Castle, London SE1 6BY.

[1] The IYDP committees for England, Scotland, Wales and Northern Ireland have produced separate reports on the activities of the Year in their respective countries.

organisations to promote the Year. It had seen its role as helping in particular areas by special injections of interest, information, advice and resources, where these were most required.

Part of a Long-Term Strategy

The second part of the report reviews progress made during the Year in certain key aspects of disability within the framework of the Government's long-term policy for the disabled. It points out that one of the aims of the Year – the full participation and integration of disabled people – had been central to the policies of successive Governments for many years and a wide-ranging system of support for the disabled had been developed. Further progress towards these ambitious aims during a single year had inevitably been undramatic, yet much that was positive and permanent had been achieved.

Access of the Disabled to Public Buildings

With regard to the construction of new buildings, an important development during the Year was the passing of the Disabled Persons Act 1981, which requires that all new public buildings, including places of employment and schools, should incorporate provision for disabled people unless there are satisfactory reasons for not doing so. A major contribution towards improving access to existing public buildings was made by local groups of people forming Access Action Groups to campaign for improvements in their areas. The number of such groups grew steadily as a result of the Year. To encourage good practice in the provision of access facilities the Department of the Environment funded the Buildings for the Disabled award scheme in England. Two awards and 25 commendations were made; the awards were for the new central shopping centre at Milton Keynes, and the Crown Court Building at Leicester. The Government also took steps to improve access to its own buildings, including the Palace of Westminster, while several local authorities nominated 'Access Officers' to co-ordinate matters relating to access in their areas. The Government intends to make sure that these improvements will continue and to bear the needs of disabled people in mind when selecting buildings for public use.

Transport

The need to make public transport more responsive to the needs of disabled people was an important theme of the Year. The Department of Transport organised a conference in March entitled 'Transport Without Handicap', which brought together for the first time on such a large scale representatives of transport providers and transport users and would-be users. As a result of the conference, an action programme was produced and published, providing practical suggestions and responses to the points raised by those who were present. Practical measures were taken to make at least some public transport accessible, including the future replacement for the present 'London' type taxi, which will be able to accommodate a passenger in a wheelchair. Among the special events staged to mark the Year was a national rally of disabled drivers, held in June, which attracted some 10,000 people.

In order to inform disabled people of what transport facilities already existed for their use, the Department of Transport produced a major national guide entitled *Door to Door*, which was issued in 1982 (see p 216).

Employment

The Year offered the Government the chance to take stock of its various schemes to promote the employment of disabled people against a background of publicity for 'full integration and participation'. The 'Fit for Work Campaign', launched in 1979 to promote the integration of disabled workers, was the Manpower Services Commission's main contribution to the Year. The campaign's annual award scheme received 412 applications in 1981, and 104 awards were given to the employers who had done most to help disabled people obtain and keep worthwhile jobs. The Government's support to 'sheltered' employment continued during the Year and about £60 million was supplied to provide jobs for some 14,000 disabled people. A review was published of the Manpower Services Commission's 27 employment rehabilitation centres, which provide resources to enable some 16,000 ill, injured or handicapped people to return to working fitness. Several projects on aspects of training disabled people were started, while many local authority careers services made special efforts to promote awareness of the employment capabilities of disabled youngsters through exhibitions, conferences and publications. As in other areas, the report states, it is important that the Year should be only a stage in the progress to better employment opportunities for physically or mentally disabled people.

Living in the Community

In its policy and consultative documents *Care in Action* and *Care in the Community* (see pp 81 and 279, 1981) the Government had declared its aim to enable physically and mentally handicapped people to receive care within the wider community rather than in long-stay hospitals or similar institutions. To mark the Year and to further this policy the Government launched a 'Children's Initiative' to get all children out of large mental-handicap hospitals in England and into more appropriate accommodation. To encourage voluntary organisations to play their part in this initiative £1 million was offered over four years to match the voluntary funds raised by them. In Wales the Secretary of State helped to fund projects designed to give relief and support to families with a mentally handicapped member, thereby deferring or even avoiding the need for admission to hospital.

Housing

During 1981 the Minister for Housing and Construction developed a new government strategy for helping disabled people. The keynote of the new policy is that disabled people should have the same opportunities as everyone else for home ownership as well as housing for rent, and the

aim is to encourage the private sector, local authorities and housing associations to give a powerful joint commitment to assisting people who aspire to become house-owners. To promote the new policy the Department of the Environment commissioned a film entitled *Housing for the Disabled*, which has led to valuable contacts and discussions between local authority officers, housing associations, voluntary organisations, private developers, building societies and others.

Various schemes and awards were launched to improve disabled people's chances of home ownership by encouraging house builders to provide suitable housing for sale. There was also increasing use during the Year of improvement grants for undertaking house adaptations. The Department of the Environment has also been making a study of the housing needs of mentally handicapped people and former psychiatric patients.

Community Life

Particular attention was paid to the needs of disabled people during the Year in schemes funded by the Government's Urban Programme, which gives financial assistance to projects in urban areas for the alleviation of 'special social need'. In 1981, 125 of the schemes supported were primarily concerned with disabled people, with funding of some £2½ million. Among these were a multi-purpose day centre, the provision of ramped access to a variety of public buildings, an information and advice service and training centres and workshops. There were many seminars and conferences held on ways in which disabled people can be incorporated into the community life, and new schemes set up to help included a telephone link-up for housebound and isolated people in the London borough of Westminster.

As its contribution to the Year the Sports Council and other bodies launched a campaign entitled 'Sport for All – Disabled People'. The initiatives taken and the momentum achieved, says the report, have longer-term implications for sport for disabled people.

As a result of the Year, many voluntary and statutory agencies were able to increase their support for the families of disabled people, and there was an increase in the number of 'self help' groups, often arising from contacts made through activities during the Year. In the long term the Government's aim is to encourage the development of community services, particularly in partnership with voluntary organisations.

The IYDP Award Scheme

The IYDP Award Scheme, a competition initiated by the Minister for the Disabled, gave recognition to new projects 'to enhance the quality of life for disabled people' in accordance with the aims of the Year. The Scheme, which attracted over 100 entries, demonstrated the genuine interest in the problems of disability which exists among voluntary organisations and members of the public. The first prize was won by the Association for Spina Bifida and Hydrocephalus for its social rehabilitation course, preparing young people with these disabilities to live as independently as possible. Other prizes were won by a scheme to recruit volunteers to befriend a person in a long-stay mental handicap hospital, and another for training volunteers in the rehabilitation of patients who have suffered strokes. A distress alarm invented by a 16-year-old boy was commended.

Education

Perhaps the outstanding event of the Year with regard to education, the report says, was the passage of the Education Act 1981, which applies to England and Wales, and the Education (Scotland) Act 1981 (see pp 79-80, 1981). These Acts, when implemented, would put an end to the concept of the education of the handicapped child as separate and different; special schools, services and other facilities would, however, continue to be provided where they were required to meet special educational needs.

To teach children about disability, information concerning the Year and disability in general was sent to all schools. The Education Departments organised conferences on subjects such as 'Children with Special Needs' and 'Provision for Profoundly Mentally Handicapped Children', while the Open University organised a major conference on disabled students in higher education. Looking to the future, the report says that the aim will be to continue to move towards integrating disabled and non-disabled children, and to enable all disabled children to be educated to their full potential.

Financial Help

The report says that the financial protection given by the Government to long-term sick and disabled people, despite the economic problems of the past year, was a considerable achievement. Spending by the Department of Health and Social Security on cash benefits for this group was 4 per cent higher in real terms in 1981-82 than in the previous year. The 1981 Budget included a number of additional reliefs from value added tax, which helped disabled people and the charities serving them, and further measures to assist the disabled were introduced in the 1982 Budget. During the Year the Government gave over £2·25 million in grants to voluntary bodies concerned with the needs of disabled people, compared with £1·2 million in 1979-80. To increase disabled people's awareness of their entitlements, the Government produced a new edition of the booklet *Help for Handicapped People* which lists all the cash benefits and services available.

The report says that the provision of a coherent system of cash benefits to meet the cost of disability remained the ultimate aim of the Government. In the existing economic circumstances, however, the limited resources available would be used to rationalise and improve the existing structure of benefits.

The Development of Aids

In various ways, the Year gave a boost to the continuing development of aids for disabled people by attracting attention to their needs and the possibility of designing for them. One very important service, the Artificial Limb Service, saw

a number of important projects come to fruition. The most far-reaching of these was the conclusion of the trial of the Swedish Myoelectric hand for young children. This artificial hand, which is electrically driven and activated by electrical impulses in the muscles of the wearer's arm, has proved to be both a clinical and a technical success. The new hand will later be introduced for older children as larger sizes become available. In addition a research and development programme is being continued to stimulate further improvements in the range of Myoelectric, electric and body-powered arms.

For amputees the Year saw the continued expansion of the range of lightweight limbs available. For the deaf, increasing numbers of three new high-powered hearing aids were issued, while development work continued on a new range of communication aids using silicon chips, which can help the visually handicapped, the profoundly deaf, and speech-impaired people. The first Communication Aids Centre in a National Health Service hospital was opened, where aids of all types to help speech-impaired people are on display and a speech therapist is specially employed to give advice and arrange for patients to be assessed.

The Scottish Prison Service raised funds to provide a network of Video Information Centres for deaf people, based in 13 Scottish towns, both to issue specialist technical, medical, legal and social information, and for users to record items of interest to the deaf community.

Projects designed to aid disabled people featured prominently in many technological competitions held during the year. Ten such entries reached the 1981 National Final of the 'Young Engineer for Britain' competition, and the winning entry was Shrewsbury School's 'Inva-Retro', a device to tilt a wheelchair to make easier anything from dental treatment to a haircut.

Looking ahead, the report says that it is particularly appropriate that Information Technology Year (see pp 335-6, 1981) follows immediately after the Year of Disabled People. Information Technology (the new technology in computing, microelectronics and telecommunications) has much to offer disabled people, and the Government will continue to take a close interest in the possible applications to their needs.

Prevention

The report says that one of the most tragic and challenging aspects of disability is that so much of it is preventable. A great deal of emphasis was therefore placed during the Year on preventing other people becoming disabled in the future. For many years the prevention of ill health and disability has been a major priority of the Government's health policy. Working through organisations such as the Health and Safety Commission, the Health Education Council and the Scottish Health Education Group, the Government has tried to promote public awareness of risks to health and to minimise such risks by improving services and conditions. Throughout the Year, the Government followed policies designed to discourage cigarette smoking; improve the availability of genetic counselling and family planning; encourage early and regular attendance for ante-natal and post-natal care; reduce the incidence of heart disease and strokes by the encouragement of exercise and sensible diet; promote health education in schools and colleges; and reduce accidents on the road and in the home. One of the major preventive measures of the Year was the legislation passed to make the wearing of seat belts compulsory (see pp 29 and 299). This legislation, which will come into force in 1983, should prevent many hundreds of disabling accidents. There were signs that the strict enforcement of the 'drinking and driving' legislation was leading to greater safety on the roads.

Much of the interest in prevention was focused on developing countries and agencies working there, since millions of people in the Third World are disabled every year through preventable circumstances. In November 1981, the Secretary of State for Social Services convened an international seminar at Leeds Castle in Kent on the prevention of disablement. The group, which consisted of internationally renowned scientists, doctors, health administrators and politicians, considered practical measures which could be adopted worldwide to prevent disablement. At the seminar they issued the 'Leeds Castle Declaration on the Prevention of Disablement', consisting of a list of recommendations for immediate action including an expanded world-wide programme of immunisation, improved nutrition and primary health care. In December 1981 the Declaration was presented to the General Assembly of the United Nations, and its recommendations are being followed by a number of international agencies.

The International Perspective

Britain was one of the co-sponsors of the International Year of Disabled People and one of the nations on the Advisory Committee which monitored and promoted it. Britain's representatives, says the report, have played an active part in drawing up the Long-term Plan of Action which the Committee is producing for submission to the General Assembly of the United Nations. The Overseas Development Administration paid particular attention during the Year to projects designed to help disabled people. Grants made by the Administration included one of £12,500 to a programme for the prevention of polio in Malawi; £10,400 to a prevention and cure of blindness training programme in Bangladesh; £34,500 to a rehabilitation centre in Zimbabwe; £31,700 to a hostel for students at a leprosy mission in India; and schemes in Peru, Somalia, Indonesia, Pakistan, Lebanon and other countries. Activities by British-based voluntary agencies included the Stop Polio and Stop Rickets campaigns of the Save the Children Fund; the Campaign Against Leprosy of the British Leprosy Relief Association (Lepra); and the Clean Water, Hygiene and Nutrition programme of Action Aid. Britain supported proposals made by the European Commission of the European Community for certain new initiatives, the main one being for a number of experimental projects at local level to stimulate and co-ordinate existing services for disabled people.

The report says that the Government will continue to take an interest in the international aspects of prevention of disability and the care of disabled people. The Overseas Development Administration will continue to include measures aimed at the prevention of disabling diseases and conditions, and to promote the rehabilitation of disabled people, in its health aid programme.

Shorter Notes

ETHNIC MINORITY RECRUITMENT TO THE POLICE

Recommendations designed to increase the number of black recruits to the police service have been made by a study group set up by the Home Office in March 1982 in response to the proposal in Lord Scarman's report on the Brixton disorders (see pp 373-8, 1981) that an urgent study should be made of ethnic minority recruitment. The recommendations are intended to encourage applications from black candidates and to ensure that the selection procedures do not present disproportionate obstacles to them. The study does not recommend changes in the entry qualifications but suggests measures that can be taken to attract suitably qualified applicants and to help those who narrowly fail to meet the entry standards. The Home Secretary, Mr William Whitelaw, has accepted those recommendations calling for action by the Home Office and commended the others to the police authorities and chief officers.

Specific recommendations include a review of selection procedures by chief officers of police to ensure that they do not present disproportionate difficulties for black candidates; advice on re-application for those who narrowly fail the educational test and the possible provision of English courses for such candidates; placing suitable candidates on the waiting list if no vacancy exists; discretion in applying the height requirements for appointment if a candidate is otherwise suitable; and arrangements to explain the role of the police service and its career prospects. The study reviews previous attempts by police forces to improve recruitment and points out that during the past ten years there has been a steady but slow increase in ethnic minority recruitment, from 47 black police officers in England and Wales in December 1971 to 386 in June 1982. This means, however, that only one police officer in 400 is a member of the ethnic minorities.

Source: *Hansard*, 27.7.82, Vol 28, No 162, written answers, cols 449-50; Home Office press notice, 27.7.82.

CARE IN THE COMMUNITY

The Government has announced a series of measures designed to speed up the transfer from hospital into the community of patients who do not specifically need hospital care. The announcement, made by the Secretary of State for Social Services, Mr Norman Fowler, on 28 July, followed consideration by the Government of comments received in response to its consultation paper *Care in the Community* (see p 279, 1981). The patients expected to benefit are the mentally handicapped, the mentally ill, the elderly, the physically disabled and chronically sick people.

The consultation paper had set out several options for the removal of financial and legal obstacles to the transfer of certain long-stay patients, and the resources to care for them, from hospitals run by district health authorities to community care organised by local authority personal social services departments. The Government, Mr Fowler said, had adopted three of these options: first, district health authorities would in future be able to guarantee annual payments to local authorities and voluntary organisations for people moving into community care; secondly, National Health Service finance would be available for longer periods for schemes designed to transfer patients from hospital run jointly by personal social services and local health departments; thirdly, a programme of pilot projects would be promoted, and up to £15 million reserved over the next five years to help to develop and assess the programme. A further proposal, which unlike the others would require legislation to be implemented, would enable district health authorities to make payments for the support of education and housing for handicapped people. It would be for the authorities locally to decide how to take advantage of the extra scope for transferring resources, in the light of local opportunities, and there was a vital role for the voluntary sector to play in the implementation of the arrangements. Commenting on the proposals, Mr Fowler said that there were people being cared for in hospital who did not need to be there, and society must help them, if they wished, to lead more independent lives in the community.

More social services facilities were needed, such as places in hostels and day centres, sheltered accommodation or support at home. Experience had shown that many people in long-stay hospitals would be capable of living more normal, fulfilled lives elsewhere given appropriate support and help with everyday living.

Sources: *Hansard*, Vol 28, No 163, cols 559-60; Department of Health and Social Security press release, 28.7.82.

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